

# Vanguard® Target Retirement Income Fund

Balanced fund (stocks and bonds)

## Investment objective

Vanguard Target Retirement Income Fund seeks to provide current income and some capital appreciation.

## Investment strategy

The fund invests in Vanguard® mutual funds according to an asset allocation strategy designed for investors currently in retirement. The underlying funds are: Vanguard Total Bond Market Index Fund, Vanguard Total Stock Market Index Fund, Vanguard Inflation-Protected Securities Fund, Vanguard Prime Money Market Fund, Vanguard European Stock Index Fund, Vanguard Pacific Stock Index Fund, and Vanguard Emerging Markets Stock Index Fund.

The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade corporate bonds, inflation-indexed bonds issued by the U.S. government, as well as mortgage-backed securities. Its indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks and international funds. The fund's indirect money market holdings consist of high-quality, short-term money market instruments.

See reverse side for Fund Profile.

*Note on frequent trading restrictions: Frequent trading policies may apply to those funds offered as investment options within your plan. Please log on to Vanguard.com for your employer plans or contact Participant Services at 800-523-1188 for additional information.*

## Who should invest

- Investors seeking a high level of income.
- Investors seeking a simple way to achieve a broadly diversified holding of stocks and fixed income investments.
- Investors with an intermediate-term investment horizon (at least three to five years).

## Who should not invest

- Investors seeking significant growth of capital.
- Investors unwilling to accept fluctuations in share price.
- Investors expecting a guaranteed level of income upon retirement.

**Total net assets:** \$1,555 million

**Expense ratio:** 0.19%\*  
as of September 30, 2007

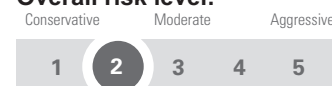
**Ticker symbol:** VTINX

**Newspaper listing:** TgtRetInc

**Inception date:** October 27, 2003

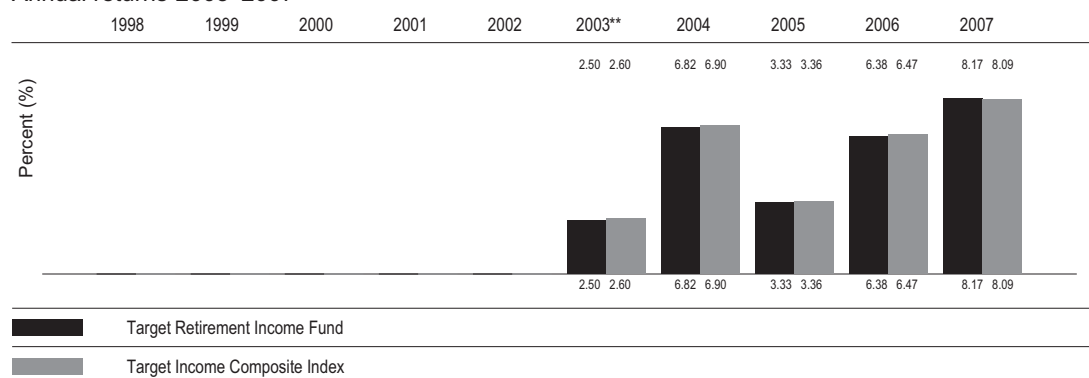
**Fund number:** 0308

**Overall risk level:**



## Performance

Annual returns 2003–2007



## Total returns

	Periods Ended December 31, 2007				
	Quarter	Year to Date	One Year	Three Years	Since Inception
Target Retirement Income Fund	1.63%	8.17%	8.17%	5.94%	6.52%
Target Income Composite Index	1.56%	8.09%	8.09%	5.96%	6.57%

**The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at [www.vanguard.com/performance](http://www.vanguard.com/performance).**

Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

Target Income Composite Index: Derived by applying the fund's target allocation to a series of unmanaged benchmarks. The index is made up of six unmanaged benchmarks, weighted 45% Lehman U.S. Aggregate Bond Index, 24% MSCI US Broad Market Index, 20% Lehman U.S. Treasury Inflation Notes Index, 5% Citigroup 3-Month Treasury Index, 5% MSCI EAFE Index, and 1% MSCI Emerging Markets Index. The MSCI US Broad Market Index replaced the Dow Jones Wilshire 5000 Index on April 23, 2005. The MSCI Emerging Markets Index replaced the Select Emerging Markets Index on August 24, 2006.

\*The average weighted expense ratio of the underlying funds.

\*\*Partial return since fund started, October 27, 2003.

# Vanguard Target Retirement Income Fund

### Plain talk about risk

The fund is subject to several stock and bond market risks, any of which could cause an investor to lose money. However, based on the fund's current allocation between stocks and the less volatile asset class of bonds, the fund's overall level of risk should be higher than those funds that invest the majority of their assets in bonds, but lower than those investing entirely in stocks. In addition to the risks inherent in the asset classes of the underlying funds, the fund also is subject to *asset allocation risk*, which is the chance that the selection of underlying funds and the allocation of fund assets will cause the fund to underperform other funds with a similar investment objective. For further details on all risks, please refer to the fund's prospectus.

### Investment terms

**Bond:** A debt security (IOU) issued by a corporation, government, or government agency in exchange for the money the bondholder lends it. In most instances, the issuer agrees to pay back the loan by a specific date and make regular interest payments until that date.

**Dividends:** A payment of cash or stock from a company's earnings to each stockholder as declared by the company's board of directors.

**Expenses:** The costs of running a fund, expressed as a percentage of the fund's assets. For example, a fund may have expenses that total 0.30% (less than half of 1%) of its assets.

**Interest:** Payments made by a company, a government, or a government agency to investors who lend them money. For example, an investor buys a bond from a company, which agrees to pay back the loan by a certain date at a set rate.

**Mutual fund:** An investment company that pools the money of many shareholders and invests it in a variety of securities in an effort to achieve a specific objective over time.

**Total return:** The change in the net asset value of an investment, assuming reinvestment of all dividend and capital gain distributions.

### Fund profile

as of December 31, 2007

### Allocation of underlying Vanguard funds<sup>†</sup>

Vanguard Total Bond Market Index Fund	45.2%
Vanguard Total Stock Market Index Fund	23.8
Vanguard Inflation-Protected Securities Fund	20.1
Vanguard Prime Money Market Fund	5.0
Vanguard European Stock Index Fund	3.3
Vanguard Pacific Stock Index Fund	1.4
Vanguard Emerging Markets Stock Index Fund	1.2

<sup>†</sup>Fund holdings are subject to change.

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**For more information about Vanguard funds, visit [www.vanguard.com](http://www.vanguard.com), or call 800-523-1188, to obtain a prospectus. Investment objectives, risks, charges, expenses, and other important information about a fund are contained in the prospectus; read and consider it carefully before investing.**